

Message Text

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PAGE 01 MADRID 07084 01 OF 02 231522Z
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-05 INR-10 L-03 ACDA-12
NSAE-00 PA-01 SS-15 SP-02 ICA-11 TRSE-00 XMB-02
EB-08 OMB-01 AID-05 /088 W
-----029618 232110Z /73

R 231455Z JUN 78
FM AMEMBASSY MADRID
TO SECSTATE WASHDC 5060
SECDEF WASHDC/ASD:ISA/DSAA
INFO CDR USACSA FT MONMOUTH NJ/CCMM-CG
CDR USACC FT HUACHUCA AZ/CC-CG
CSA WASHDC
CDR USASAC ALEXANDRIA VA/DRCDS
USCINCEUR VAIHINGEN GER

C O N F I D E N T I A L SECTION 01 OF 02 MADRID 07084

E.O. 11652: GDS
TAGS: MASS, SP, US EXIM
SUBJECT: TERRITORIAL COMMAND NET (TCN)

REF: (A) MADRID 6735 (DTG 151224Z JUN 78)
(B) JUSMG-MAAG 161415Z JUN 78
(C) STATE 149905 (DTG 132015Z JUN 78)

1. SUMMARY: AT A REGULAR SESSION OF THE JOINT COMMITTEE FOR POLITICO-MILITARY AFFAIRS (PMAA) ON JUNE 21, THE SPANISH REFINED THE CONDITIONS UNDER WHICH THEY ARE PREPARED TO MAKE PAYMENT 13, ASKED WHY THEY CANNOT BE CREDITED FOR THE HALF OF PAYMENT 12 DEPOSITED WITH THE EX-IM BANK IN MARCH, REQUESTED A WRITTEN U.S. REPLY TO THEIR MEMO PRESENTED ON JUNE 14 (REF B), AND SUGGESTED THAT THE U.S. REPLY FORM THE BASIS FOR DISCUSSION DURING A SEPTEMBER VISIT TO WASHINGTON.

2. WE REQUEST EARLY INSTRUCTIONS ON ALL THESE POINTS, SOME
CONFIDENTIAL

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PAGE 02 MADRID 07084 01 OF 02 231522Z

OF WHICH WERE ALSO ELABORATED ON IN REF A (REPORT OF THE JUNE 14 SESSION). END SUMMARY.

3. THE U.S. SIDE AGAIN DREW ON THE GUIDANCE IN REF C IN URGING EARLY DEPOSIT OF PAYMENTS 12 AND 13. WITH RESPECT TO PAYMENT 12, WE REPORTED THAT WE UNDERSTOOD FROM THE SPANISH MINISTRY OF FINANCE THAT THERE MIGHT BE CONSIDER-

ABLE FURTHER DELAY IN SIGNING OF THE AGREEMENT TO EXTEND THE EX-IM BANK LOAN SHOULD IT PROVE NECESSARY TO SEEK AUTHORIZATION FOR SIGNATURE IN THE FORM OF A DECREE LAW BY THE GOVERNMENT. WE REQUESTED CONSIDERATION OF PAYMENT ON A PROVISIONAL BASIS FROM OTHER SOURCES SHOULD THIS FURTHER DELAY OCCUR. THE SENIOR SPANISH ARMY REPRESENTATIVE (B.GEN. FIGUERUELA) INQUIRED IN REPLY WHY THE SPANISH ACCOUNT COULD NOT BE CREDITED WITH THE HALF OF PAYMENT 12 WHICH HE INSISTED HAD BEEN DEPOSITED WITH THE EX-IM BANK IN MARCH. WE UNDERTOOK TO LOOK INTO THIS, WHILE THE SPANISH SIDE UNDERTOOK TO ATTEMPT TO EXPEDITE SIGNATURE OF THE AGREEMENT TO EXTEND THE EX-IM BANK LOAN.

4. THE SPANISH ARMY'S LEGAL REPRESENTATIVE (COL. MIRANDA) CONFIRMED AND REFINED THE CONDITIONS OF HIS JUNE 14 AGREEMENT IN PRINCIPLE TO THE MAKING OF PAYMENT 13. HE PRESENTED THE FOLLOWING TEXT OF LANGUAGE WHICH U.S. ARMY AUTHORITIES WOULD BE ASKED TO INCLUDE IN A REQUEST FOR THE PAYMENT:

"WE ACCEPT THE SPANISH STATEMENT THAT THIS PAYMENT BY THE SPANISH ARMY DOES NOT CONSTITUTE TECHNICAL ACCEPTANCE BY IT OF THE TERRITORIAL COMMAND NET, NOR AN ACKNOWLEDGMENT OF THE ADDITIONAL FINANCIAL CLAIMS PRESENTED BY THE U.S. ARMY. FURTHER, THE U.S. ARMY GUARANTEES THAT, ONCE THIS PAYMENT HAS BEEN MADE, THE CONTRACTOR WILL

CONFIDENTIAL

PAGE 03 MADRID 07084 01 OF 02 231522Z

CONTINUE HIS WORK UNTIL SUCH TIME AS THE SPANISH ARMY CONSIDERS THAT THE TECHNICAL DEFICIENCIES OF THE TERRITORIAL COMMAND NET HAVE BEEN CORRECTED."

5. COL. MIRANDA APPEARED TO HAVE SOME LEEWAY AS TO THE PRECISE WORDING, BUT NOT WITH RESPECT TO SPANISH CONCERNS BEING EXPRESSED IN CONJUNCTION WITH THEIR PAYMENT (AS WE SUGGESTED) RATHER THAN IN A PRIOR U.S. REQUEST FOR PAYMENT. WE NOTED, BY WAY OF EXPLORING SPANISH INTENTIONS, THAT THE DESIRED ASSURANCE THAT THE CONTRACTOR WOULD NOT TAKE HIS MONEY AND RUN SEEMED OPEN ENDED. IT WOULD PERHAPS NOT BE SO WERE THE LANGUAGE TO REFER, FOR EXAMPLE, TO FULFILLMENT OF THE CONTRACT VICE SPANISH ARMY ACCEPTANCE. MIRANDA NODDED. HOWEVER, THE SPANISH DIPLOMATIC REPRESENTATIVE CUT OFF FURTHER DISCUSSION, STATING THAT WHAT WAS SOUGHT WAS NOT OPEN ENDED. WE THEN RECOMMENDED THAT ANY STATEMENT IN CONJUNCTION WITH PAYMENT 13 COME FROM THE SPANISH SIDE, PER THE GUIDANCE IN REF C, REVIEWED THE AMPLE EVIDENCE OF U.S. ARMY DETERMINATION TO ASSURE THE CONTRACTOR MEETS HIS OBLIGATIONS, WHILE NOTING THAT ACTIONS BY THE CONTRACTOR COULD NOT BE GUARANTEED BY THE U.S. ARMY, AND UNDERTOOK TO

SEEK INSTRUCTIONS.

6. (ON JUNE 22, AN EMBASSY OFFICER LEARNED FROM THE SECRETARY GENERAL FOR DEFENSE POLICY AT THE MINISTRY OF DEFENSE, M.GEN. GABEIRAS, THAT HE PERSONALLY HAD RECENTLY SIGNED THE AUTHORIZATION TO MAKE PAYMENT 13. HE MENTIONED AS A PRECONDITION ONLY THE MATTERS OF NON-ACCEPTANCE OF THE SYSTEM AND OF CLAIMS, UNDERLINING HIS FIRM BELIEF THAT THE SYSTEM IS A LONG WAY FROM TECHNICAL ACCEPTANCE.)

7. ON THE VISIT TO WASHINGTON OF A POLICY/TECHNICAL TEAM, THE SPANISH SIDE SUGGESTED AGREEMENT IN PRINCIPLE THAT THIS WOULD OCCUR IN MID-SEPTEMBER WITH A MONTH'S NOTICE, UNDER PMAA (I.E. BROADER THAN ARMY) AUSPICES, WITH THE DATE
CONFIDENTIAL

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PAGE 04 MADRID 07084 01 OF 02 231522Z

TO DEPEND IN PART ON THE NATURE OF A WRITTEN U.S. RESPONSE

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PAGE 01 MADRID 07084 02 OF 02 232013Z
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USCINCEUR VAIHINGEN GER/ECJ4-7-5

C O N F I D E N T I A L SECTION 02 OF 02 MADRID 07084

TO THE SPANISH MEMO OF JUNE 14 (REF B). THE SPANISH DIPLOMATIC REPRESENTATIVE WENT SO FAR AS TO SUGGEST AT ONE POINT THAT THE SPANISH MEMO AND THE U.S. REPLY WOULD

PROVIDE THE NECESSARY BASIS FOR "NEGOTIATIONS" IN SEPTEMBER. (AGAIN HERE, THE WORD MAY BE STRONGER THAN THE ACTUAL INTENT.) OUR OWN STRONG URGING THAT THE VISIT OCCUR SOONER, PERHAPS IN THE LATTER PART OF JULY, AND OUR ASSURANCES THAT THE SPANISH TEAM WOULD BE RECEIVED BY POLICY-LEVEL OFFICIALS WERE TAKEN UNDER CONSIDERATION. HOWEVER, A FURTHER SUGGESTION FROM OUR SIDE THAT AN EARLY VISIT COULD PROVIDE ORAL ANSWERS TO THE SPANISH MEMO FOUND NO RECEPTION. (M.GEN. GABEIRAS ALSO SUGGESTED IN THE FURTHER CONVERSATION REFERRED TO ABOVE THAT ONE CONSIDERATION IN THE RECOMMENDATION FOR A SEPTEMBER VISIT MIGHT HAVE BEEN TO HAVE FURTHER DETAILED DISCUSSIONS TAKE PLACE ONLY AFTER FIRST VICE PRESIDENT AND DEFENSE MINISTER GUTIERREZ MELLADO HAS VISITED WASHINGTON. HIS EMBASSY INTERLOCUTOR SUGGESTED THAT, TO THE CONTRARY, A PRIOR TCN VISIT MIGHT FACILITATE A MORE USEFUL REFERENCE TO THIS

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PAGE 02 MADRID 07084 02 OF 02 232013Z

MATTER IN ANY DISCUSSION BETWEEN THE MINISTER AND SECRETARY BROWN.) EATON

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